

-- Schedule 34 --
DEPRECIATION EXPENSE

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Section I CAPITALIZED HISTORICAL COST				
	(B) Beginning Balance Date:	(C) Additions During Report Period	(D) Disposals During Report Period	(E) Ending Balance Date:
1. Land	\$	\$	(\$)	\$
2. Land Improvements			()	
3. Buildings			()	
4. Leasehold Improvements			()	
5. Fixed Equipment			()	
6. Moveable Equipment			()	
7. Transportation Vehicles ...			()	
8. Other (Specify) _____			()	
9. _____			()	
10. TOTAL CAPITALIZED COST	\$	\$	(\$)	\$

Section II DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION					
	(A) Method of Depreciation And Depreciation Lives Used	(B) Beginning Balance Date:	(C) Depreciation Expense During Report Period	(D) Removal Of Accumulated Deprec. On Disposals	(E) Ending Balance Date:
11. Land Improvements		\$	\$	(\$)	\$
12. Buildings				()	
13. Leasehold Improvements				()	
14. Fixed Equipment				()	
15. Moveable Equipment				()	
16. Transportation Vehicles ...				()	
17. Other (Specify) _____				()	
18. _____				()	
19. TOTAL ACCUMULATED DEPRECIATION		\$		(\$)	\$
20. TOTAL DEPRECIATION EXPENSE		\$	\$		

INSTRUCTIONS FOR
Schedule 35
LEASE EXPENSE
ON OPERATING LEASES
AND NON-CAPITALIZED LEASES

Report the accrued expense incurred on operating leases and non-capitalized leases (or rental agreements). Expenses from leases which have been capitalized should be reported in Schedule 36.

Itemize each lease or rental agreement by lessor.

Column B - Enter 'Yes' if the nursing provider is related by common ownership or control to the lessor. If 'Yes', complete the instructions at Footnote A. See Section 400 of the "Instruction Booklet" regarding related parties and organizations.

Column C - Enter 'Yes' if the lease is a lease-purchase agreement. See the note below.

Column D - If available, enter the lessor's acquisition cost of the leased property.

Column E - Enter the date the nursing home provider (or a related party or organization) initially acquired use of the leased property.

Column F - Briefly describe the leased property.

Column G - Enter the accrued lease or rental expense for the cost reporting period.

FOOTNOTE C - Identify any leased property which was formerly owned by the nursing home provider or a related party.

NOTE - LEASE-PURCHASE AGREEMENTS

Some lease agreements are essentially the same as installment purchases of building or equipment. The existence of the following conditions generally establish that a lease is a virtual purchase or a lease-purchase agreement.

- a. The lease agreement transfers ownership of the property to the leasing provider (or a related party) by the end of the lease term.
- OR b. The lease contains a bargain purchase option. A bargain purchase option is an agreement provision allowing the leasing provider (or a related party) to purchase the leased property for a price which is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable.

If either of these conditions exist in the lease agreement, enter 'Yes' in Column C for a lease-purchase agreement.

-- Schedule 35 --

LEASE EXPENSE
ON OPERATING LEASES
AND NON-CAPITALIZED LEASES

LEASE EXPENSE FOR LAND, BUILDING AND FIXED EQUIPMENT

(A) Name Of Lessor	(B) Is lessor a related party? (Yes/No) (See Footnote A)	(C) Is this a lease-purchase agreement? (Yes/No)	(D) Lessor's Acquisition Cost Of Leased Property (If known)	(E) Date Provider Acquired Use Of Property (Month/Year)	(F) Describe Leased Property	(G) Lease Expense For Reporting Period
1. _____			\$ _____			\$ _____
2. _____						
3. _____						

LEASE EXPENSE FOR MOVEABLE EQUIPMENT AND OTHER LEASES

(A) Name Of Lessor	(B) Is lessor a related party? (Yes/No) (See Footnote A)	(C) Is this a lease-purchase agreement? (Yes/No)	(D) Lessor's Acquisition Cost Of Leased Property (If known)	(E) Date Provider Acquired Use Of Property (Month/Year)	(F) Describe Leased Property	(G) Lease Expense For Reporting Period (See Footnote B)
4. _____			\$ _____			\$ _____
5. _____						
6. _____						
7. _____						
8. _____						

9. TOTAL LEASE EXPENSE ON OPERATING LEASES AND NON-CAPITALIZED LEASES (Add Line 1 to 8) \$ _____

FOOTNOTE A - If lessor is a related party to the provider, report lessor's ownership cost of property. Complete and attach facsimiles of the following schedules; label them "Related Party Lease Property".

Schedule 31 - Insurance Expense
Schedule 32 - Amortization of Deferred Expense
Schedule 33 - Interest Expense On Plant Asset Loans
Schedule 34 - Depreciation Expense
Schedule 37 - Property Taxes
Schedule 39 - Other Expenses

FOOTNOTE C - Identify any of the leased property above which was previously owned by the leasing nursing home provider.

Schedule

Lease Expense On Operating Leases
And Non-Capitalized Leases

Schedule

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INSTRUCTIONS FOR
Schedule 36
LEASE EXPENSE
ON CAPITALIZED LEASES

Report the expense on leases which have been capitalized under FASB Statement 13, Accounting For Leases. This statement was released in November 1976 by the Financial Accounting Standards Board (FASB) of the American Institute of Certified Public Accountants. The statement is too detailed to describe in this cost report.

Separately itemize each lease by lessor. If possible, separate leases for land and buildings from leases for moveable equipment. Space is provided for two leases; attach additional sheets if necessary.

For each lease, complete the questions and briefly describe the leased property. Enter the accrued expenses on Lines a to d.

Balance Sheet Amounts Related To Capitalized Leases

Enter the balance sheet asset amounts and liability amounts for the capitalized leases according to the column headings.

FOOTNOTE A - If the nursing home is related by common ownership or control to the lessor, complete and submit the schedules listed in the footnote in order to report the lessor's cost of ownership of the leased property.

FOOTNOTE B - For any lease totaling greater than \$5000 in expense, submit a copy of the lease contract with this cost report.

FOOTNOTE C - Identify any leased property which was formerly owned by the nursing home provider or a related party.

-- Schedule 36 --

LEASE EXPENSE ON CAPITALIZED LEASES

Lease Expense
For
Reporting Period

1. Name Of Lessor _____
Is lessor a related party? _____ (See Footnote A)
Date provider acquired use of property (month/year) _____
Terminating or ending date of lease (month/year) _____
Is this a lease-purchase agreement? _____
Description Of Leased Property: _____

1a. Amortization Of Capitalized Lease Value \$ _____
1b. Interest Expense On Capital Lease Obligation _____
1c. Accrued Contingent Lease Payments For Period _____
1d. Subtotal Lease Expense For Reporting Period \$ _____
(Attach copy of lease contract if over \$5000)

2. Name Of Lessor _____
Is lessor a related party? _____ (See Footnote A)
Date provider acquired use of property (month/year) _____
Terminating or ending date of lease (month/year) _____
Is this a lease-purchase agreement? _____
Description Of Leased Property: _____

2a. Amortization Of Capitalized Lease Value \$ _____
2b. Interest Expense On Capital Lease Obligation _____
2c. Accrued Contingent Lease Payments For Period _____
2d. Subtotal Lease Expense For Reporting Period \$ _____
(Attach copy of lease contract if over \$5000)

3. Total Capitalized Lease Expense For Reporting Period \$ _____
(Transfer To Schedule 12)

---- Balance Sheet Amounts Related To Capitalized Leases ----					
CAPITALIZED ASSET VALUE OF LEASES		REMAINING ASSET BALANCE OF CAPITALIZED LEASES			
Name of Lessor	Original Capitalized Value	Method & Life Of Amortization	Beginning	6th Month Ending	Ending
#1. _____	\$ _____		\$ _____	\$ _____	\$ _____
#2. _____					

LEASE LIABILITY OR OBLIGATION		REMAINING LIABILITY BALANCE OF LEASE OBLIGATIONS			
Name of Lessor	Original Obligation Balance	Incremental/Implicit Interest Rate	Beginning	6th Month Ending	Ending
#1. _____	\$ _____	%	\$ _____	\$ _____	\$ _____
#2. _____		%			

FOOTNOTE A - If lessor is a related party to provider, report lessor's ownership cost of property. Complete and attach facsimiles of the following schedules; label them "Related Party Lease Property".

Schedule 31 - Insurance Expense
Schedule 32 - Amortization Of Deferred Expenses
Schedule 33 - Interest Expense On Plant Asset Loans
Schedule 34 - Depreciation Expense
Schedule 37 - Property Taxes
Schedule 39 - Other Expenses

FOOTNOTE B

Submit a copy of the lease contract for any lease above which totals over \$5000 expense.

FOOTNOTE C - Identify any leased property above which was formerly owned by the leasing provider.

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INSTRUCTIONS FOR
Schedule 37
PROPERTY TAX EXPENSE

Report the expense for real estate and personal property taxes.

Special assessments for capital improvements such as sewers, water mains and pavements should be capitalized as plant assets (see Schedule 34) and not reported as property tax expense.

For Tax Exempt Facilities Only

For tax exempt facilities only, enter the expense incurred for services which are financed through the municipality's property tax. Clearly describe the services and the source of the expense. These expenses should not be reported in other schedules of this cost report.

Schedule 38
And
Schedule 39

Instructions are on the cost report schedules.

Round all amounts to whole numbers.

-- Schedule 37 --
PROPERTY TAX EXPENSE

Expense
For
Reporting Period

1. Real Estate Tax.....\$ _____

2. Personal Property Tax..... _____

Municipal Service Expenses (For tax exempt facilities only)

Report the expense for municipal services which are financed through municipality property taxes.

Describe Services
And Source Of Expense

Expense For
Reporting Period

3. _____ \$ _____

4. _____

5. _____

6. _____

7. Total Municipal Services Expense \$ _____

8. TOTAL PROPERTY TAX OR MUNICIPAL SERVICES EXPENSE \$ _____

-- Schedule 38 -- # _____
INCOME TAX EXPENSE

This schedule is optional.
Report estimated income tax.

Expense
For
Reporting Period

1. State Income Tax.....\$ _____

2. Federal Income Tax..... _____

3. Other (Describe) _____

4. _____

5. _____

6. TOTAL ESTIMATED INCOME TAX EXPENSE \$ _____

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-- Schedule 39 --
OTHER NON-SALARY EXPENSES

Report below any non-salary expenses not included elsewhere in this cost report. Other salary expenses should be reported in Schedule 27.

Describe Nature And Source Of Expense

Expense For
Reporting Period

1. _____ \$ _____

2. _____

3. _____

4. TOTAL OTHER NON-SALARY EXPENSES \$ _____

INSTR NS FOR
Schedule 40
ALLOCATION OF PROPERTY EXPENSES

This schedule is provided for allocating property expenses between the Title XIX nursing home provider and other major revenue generating activities or non-nursing home activities which use building areas. Property expenses must be allocated to such activities if more than 1% of the total building space is used for all such activities and/or rented out.

SECTION A - DIRECT PROPERTY EXPENSES

The financial records of the operation may readily identify certain property expenses which can be directly ascribed to or assigned to specific building or service areas. Such identification and direct assignment of expenses should be reported in Section A under the related column.

Column A - Transfer the total expense from the referenced schedule for each type of property expense.

Column B - Identify and report that portion of each property expense which can be directly assigned to the nursing home service areas.

Column C to E - Identify and report that portion of each property expense which can be directly assigned to each of the major revenue generating activities or non-nursing home activities for the building areas which they use.

NOTE - When completing Columns B to E, it is not necessary to directly assign all of the expenses listed in Column A. Transportation vehicle depreciation can be allocated in Section A based on usage information such as miles driven or some other reasonable allocation basis.

Line 16 - The summation of Line 15 for Columns B to E is the total property expenses which have been directly assigned to the various building areas.

Line 17 - Line 15 of Column A Less Line 16 is the net property expense which has not been assigned to any specific area. This net unassigned expense must be indirectly allocated in Section B.

SECTION B - ALLOCATION OF INDIRECT PROPERTY EXPENSE

On the basis of square feet of each of the building or service areas, allocate the unassigned property expenses at Line 17 between the nursing home service areas and the major revenue generating areas or non-nursing home building areas. The ratio for Line 19B is Line 18B square feet divided by Line 18A total square feet; the ratio for line 19C is Line 18C divided by Line 18A.

REFERENCES

For more information or details, see the following:

Schedule 4 - Major Revenue Generating Activities

INSTRUCTION BOOKLET - Section 700 - Allocation Of Shared And Indirect Expenses

-- Schedule 40 --

**ALLOCATION OF
PROPERTY EXPENSES**

SECTION A - DIRECT PROPERTY EXPENSES		(A) Total Expense From Referenced Schedule	(B) Nursing Home Service Area	Building Areas For Non-Nursing Home Services Or Other Major Revenue Generating Activities		
Assign Expenses Directly Ascribable To Or Identifiable With Each Service's Building Area				** (C)	(D)	(E)
1.	Property Insurance.....(Schedule 31)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2.	Mortgage Insurance.....(Schedule 31)	_____	_____	_____	_____	_____
3.	Amortization/Debt Premium (Discount)(Schedule 32)	_____	_____	_____	_____	_____
4.	Plant Asset Interest Expense.....(Schedule 33)	_____	_____	_____	_____	_____
<u>Depreciation Expense (Schedule 34, Column C)</u>						
5.	Land Improvements.....	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
6.	Buildings.....	_____	_____	_____	_____	_____
7.	Leasehold Improvements.....	_____	_____	_____	_____	_____
8.	Fixed Equipment.....	_____	_____	_____	_____	_____
9.	Moveable Equipment.....	_____	_____	_____	_____	_____
10.	Transportation Vehicles.....	_____	_____	_____	_____	_____
11.	Other _____	_____	_____	_____	_____	_____
12.	Lease Expense On Operating Leases...(Schedule 35)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
13.	Lease Expense On Capitalized Leases (Schedule 36)	_____	_____	_____	_____	_____
14.	Property Taxes or Fees.....(Schedule 37)	_____	_____	_____	_____	_____
15.	TOTAL EXPENSE (Total Of Lines 1 to 14).....	\$ _____ (15A)	\$ _____ (15B)	\$ _____ (15C)	\$ _____ (15D)	\$ _____ (15E)
16.	Less: Total Directly Assigned Property Expenses (_____)		Summation of Line 15, Columns B to E			
17.	Net Unassigned Or Indirect Property Expense... \$ _____		Line 15 Less Line 16			
		To Line 20A Below				

SECTION B - ALLOCATION OF INDIRECT PROPERTY EXPENSES		(A) Total	(B) Nursing Home Area	** (C)	(D)	(E)
18.	Square Feet Of Service's Building Area.....	SqFt _____				
19.	Ratio To Total Square Feet (To 4 decimals).....	1.0000	(19B)	(19C)	(19D)	(19E)
20.	Indirect Property Expense Allocation.....	\$ _____ (20A)	\$ _____	\$ _____	\$ _____	\$ _____
		Net From Line 17 Above	20A X 19B	20A X 19C	20A X 19D	20A X 19E
21.	TOTAL PROPERTY EXPENSE FOR EACH SERVICE'S BUILDING AREA.....	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
		Total From Line 15A Above	Sum of Line 15 and Line 20, Columns (B) to (E)			

**Use Column (C) above for any employee
"unique fringe benefit" building areas.

Sched: 40

Allocation Of Property Expenses

Schedule

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INSTRUCTIONS FOR
Schedule 41
ACCOUNTING AND REPORTING POLICIES

Items 1 to 5 -- Should be self explanatory.

Item 5 -- NON-PRODUCTIVE SALARY EXPENSE AND HOURS

The expenses for non-productive salaries or paid time-off are reported at Line 3 in Schedules 20 to 27; the related non-productive hours are reported in Line 4.

See the "Instruction Booklet", Sections 504, 505, and 506 for more details on non-productive salary expense.

-- Column A - Write in 'Yes' for each type of paid time-off which was included in non-productive salary expense and hours in this cost report. Remember, the hours related to all non-productive salary expense must not be included in the productive hours worked.

-- Column B

- Write in 'Actual' if non-productive salaries and hours are reported on the basis of the time-off which was actually used by employees during the cost reporting period.
- Write in 'Earned' if the non-productive salaries and hours are reported on the basis of the paid time-off which was earned by employees during the cost report period.

Footnote A below must be completed by all facilities reporting on the 'Earned' basis. See reporting guidelines to the right.

-- Column C - Write in 'Yes' if non-productive salaries and hours were estimated. Describe the estimation technique in Footnote B. The explanation must describe the technique; 'per Department policies' is not an acceptable explanation.

See Section 505 of the "Instruction Booklet" regarding the estimating of paid time-off used by employees.

REPORTING NON-PRODUCTIVE SALARY EXPENSE
BASED ON EARNED TIME-OFF

Providers may report non-productive salary expense and hours either:

1. Based on the paid time-off 'actually' used by employees during the cost reporting period.
- OR 2. Based on the paid time-off which was 'earned' by and vested to employees during the cost reporting period but only if the following conditions are met.

Conditions. Non-productive expense may be reported on the basis of 'earned' time-off only when:

- a. Vested To Employees. Any reported expense for earned time-off must be vested to the employees. Vested means that payment for the time-off will be made to the employee even if the employee leaves employment at the facility. Payment for time-off is not vested if such payment is contingent upon continued employment and/or retirement with the facility.
- b. Detailed Records. Detailed records must be routinely maintained for each employee's earned time-off hours and actually used time-off hours. Detailed and verifiable records and worksheets must show the calculation of salary expense related to the earned, but unused, time-off by each employee.
- c. No Estimates. No general facility or cost center estimate of the earned time-off expense will be accepted.

Valuation Of Unused Time-Off. All time-off used by employees during the cost reporting period must be 'expensed' at the wage rate actually paid to the employee for the paid time-off. The salary expense payable for earned, but unused, time-off at the end of the current cost reporting period must be valued under the same method as was used to value the payable at the end of the prior period (i.e. beginning payable for current period).

Year Of Conversion. In the reporting period a facility begins reporting on the basis of 'earned' time-off, a salary expense payable for unused time-off must be established for both the beginning and the end of the cost reporting period. The facility must report such payable amounts at Footnote A.

Future Cost Reports. Once a provider has elected to report non-productive salary expense on the basis of 'earned' time-off, such expenses must be reported on the earned basis in all future annual cost reports. Also, at the time of any change of ownership of the operation, the new owner must continue reporting on the basis of 'earned' paid time-off.

See "Instruction Booklet", Section 506 for additional discussion.

Schedule 41
ACCOUNTING AND REPORTING POLICIES

1. ACCOUNTING METHOD

Expenses in this cost report are to be reported on the accrual method of accounting except for governmental facilities which may use the cash method of accounting.

Check the accounting method used in this cost report: Accrual Cash

2. CAPITALIZATION OF PLANT ASSETS

Briefly describe the facility's policy or practice for the capitalization of plant asset purchases.

3. VOLUNTEER AND UNPAID EMPLOYEES

Briefly explain if and how any volunteer and other unpaid employee hours are reported in this cost report.

4. CONFORMITY TO ACCOUNTING PRINCIPALS

Describe any accounting practices or policies in the reporting of revenues and expenses in this report which are known to not conform to generally accepted accounting principals.

5. NON-PRODUCTIVE SALARY EXPENSE AND HOURS

	(A) Is item reported in non-productive expense & hours?	(B) Is reporting based on 'Actual' -or- 'Earned' time-off? (See Footnote A)	(C) Are reported amounts an estimate? (See Footnote B)
Type of Paid Time-Off			
VACATION.			
HOLIDAYS.			
SICK TIME			
BREAK & MEAL TIME			
HOLIDAY PREMIUM PAY			
INSERVICE TRAINING			
OTHER			

FOOTNOTE A -- If Reporting Is Based On 'Earned' Time-Off

Complete the following reconciliation if any type of paid time-off was reported on the basis of 'Earned' time-off.

- Total non-productive salary expense for 'Actual' taken time-off during reporting period \$
- LESS: Salaries payable for earned, but unused, time-off at -beginning- of reporting period (\$
(Unused time-off earned in prior periods)
- ADD: Salaries payable for earned, but unused, time-off at -end- of reporting period \$
- Total non-productive salary expense with selected types of time-off based on 'Earned' time-off during report period \$

VESTING. Are employees paid for 'Earned', but unused, time-off when leaving employment with the facility? Yes No

VALUATION. Describe how the above beginning and ending salaries payable -and- the related expense in this cost report for unused time-off was valued.

FIRST YEAR CONVERSION. -- Did facility convert to reporting on the 'Earned' basis in this cost report? Yes No
-- If Yes, do non-productive salary expenses in this cost report include the beginning salaries payable shown at Line 2 above? Yes No

FOOTNOTE B -- Estimates. For Column C above, describe estimation techniques used. Add sheets if needed.

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